

Guaranteed Auto Protection Plans (GAP) may be offered to you when you buy a new car. GAP protection covers the difference between what the consumer's insurance pays when a vehicle is totaled or stolen and not recovered and the amount the consumer owes to the bank, sales finance company, or lessor. The cost of the plan must be properly disclosed and be optional or the cost must be included in the finance charge.

## THE TERMS – COST - COVERAGE

Once upon a time, there was not a lot of need for such protection. Buyers customarily paid 1/3 of the cost of the vehicle as a down payment. Because of the large down payment, it was not likely that a "Gap" would ever develop and if it did, it was not likely to be a significant amount.

Now, however, with leasing programs offering low up-front costs and longer term financing programs permitting customers to finance everything, including the floor mats and the tags, it is much more likely that a "Gap" event will occur when there's a total loss and that the amount of the "Gap" will amount to real money.

In Indiana each GAP program must be approved by the Department of Financial Institutions to be offered as an additional charge. Programs approved generally have a 30 to 60 day "free look period" allowing the consumer to cancel the

program if they get home and decide they don't want it.

Some programs allow for a rebate of the program cost if the account is prepaid in full. The rebate is usually on the Rule of 78s basis. See our Brochure on the Rule of 78s.

Costs of the programs range from \$225 to \$420 with an average cost of around \$375-\$390 depending on the various provisions of the programs.

## WHO BACKS THE CONTRACT?

The approved GAP program is backed by a contractual liability policy with an insurance company.

## WHAT IS COVERED AND NOT COVERED?

Your auto must be a total loss or stolen and not recovered for the GAP program to cover the "GAP" between the balance owed on the auto and what your auto insurance pays for the loss.

Most programs cover the consumer's deductible up to \$500 to \$1,000.

There also may be a cap on the amount they will pay out, such as \$50,000.

Be sure you read the GAP agreement and understand what is covered or not.

## HOW ARE CLAIMS HANDLED?

When your auto is a total loss or stolen and not retrieved, you should notify the dealer who placed your GAP agreement on your contract.

The dealer will contact the GAP provider or have you contact the GAP provider regarding the loss.

## OTHER TIPS

If you're told you must purchase a GAP contract to qualify for financing or that it is a requirement, the cost of the GAP program cannot be an additional charge and must be included in the finance charge and reflected in the disclosed Annual Percentage Rate. The program must be optional to be an allowed additional charge.

If you decide to buy a GAP product through a car dealership — the agreement is backed by an administrator and/or a third party — make sure the dealer forwards your payment and gives you written confirmation. Contact our office if you have reason to believe that your contract wasn't put into effect as agreed.

So, what do you do when the GAP salesperson comes calling? Proceed with caution. Before you sign on the dotted line, get a full review of the program and its cost, and make sure your down payment or trade-in is low enough to result in a "Gap."



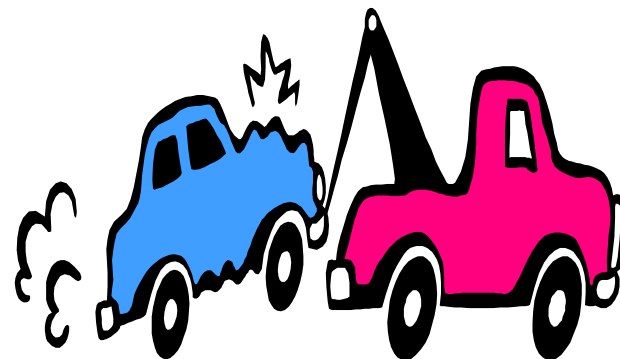
The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

- Answers to Credit Problems
- Applying for Credit
- At Home Shopping Rights
- Bankruptcy Facts
- Buried in Debt
- Car Financing Scams
- Charge Card Fraud
- Choosing A Credit Card
- Co-Signing
- Credit and Divorce
- Credit and Older Consumers
- Deep in Debt?
- Equal Credit Opportunity
- Fair Credit Reporting
- Fair Debt Collection
- Gold Cards
- Hang up on Fraud
- High Rate Mortgages
- Home Equity Credit Lines
- How to Avoid Bankruptcy
- Indiana Uniform Consumer Credit Code
- Look Before you Lease
- Mortgage Loans
- Repossession
- Reverse Mortgage Loans
- Rule of 78s – What is it?
- Scoring for Credit
- Shopping for Credit
- Using Credit Cards
- Variable Rate Credit
- What is a Budget?
- What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



# GUARANTEED AUTO PROTECTION PLANS (GAP)



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